Linda P. Brown
Director
Electric Transmission Planning
San Diego Gas & Electric Company
8316 Century Park Court
San Diego, CA 92123

November 13, 2008

Mr. Christopher J. Doyle
Regional Development Engineering Manager
NRG West
1817 Aston Avenue, Suite 104
Carlsbad, CA 92008

Subject: NRG 230kV Switchyard

Dear Mr. Doyle:

This letter is to further confirm SDG&E's proposed 230 kV bay allocation for the 230 kV substation upgrades required to interconnect NRG's planned 260 MW Encina Peaking Project (EPP), a 1x1 combined cycle power plant. In order to accommodate the interconnection requested by NRG and to also allow for future expansion of the Encina 230 kV switchyard, SDG&E will relocate and expand the existing 230 kV switchyard to a new location east of the existing 230kV and 138 kV yards and adjacent to Cannon Substation. This location has been mutually agreed upon between NRG and SDG&E for the interconnection of NRG's planned EPP.

Subject to receiving the required permits and the approval of the CAISO, initial construction of the newly proposed yard will include three bays of breaker-and-a-half configuration creating six terminal positions. The ultimate build out will be four bays for a total of eight terminal positions. Four positions will accommodate existing SDG&E 230 kV lines, and a planned future 230 kV line. The remaining two positions will accommodate the EPP interconnection and existing Unit 5.

As only two of the original six positions to be constructed will accommodate NRG's EPP and existing Unit 5, SDG&E proposes to allocate one-third (33.3%) of the costs to NRG as Reliability Network Upgrades. These costs will be in addition to the Interconnection Facilities costs that NRG is obligated to fund for its interconnection to the new switchyard which will be refunded per section 3.4.3 of the LGIP.

Sincerely,

Linda P. Brown
Director, Transmission Planning

cc: Mariam Mirzadeh, SDG&E
Christopher Nicolai, SDG&E
Rodney Winter, SDG&E
Ali Yari, SDG&E
John Jenkins, SDG&E
Dan McCullough, SDG&E